



Corporate Excise DOR Directive 93-6

Massachusetts
Department of
Revenue

Definition of Massachusetts "Taxable Year"; Federal Consolidated Returns

Facts:

ConSum Corporation is the parent of a group of corporations, some of which do business in Massachusetts, including its subsidiary SubSum Corporation. The group files a federal consolidated return and separate Massachusetts returns for the members having Massachusetts filing requirements, all of which are on a calendar year basis. Halfway through the calendar year, SubSum Corporation is merged into its parent ConSum Corporation, ending SubSum's existence as a separate entity. Federally, SubSum's partial year period of operation is required to be included in the calendar year federal consolidated return.

Issue:

For Massachusetts filing purposes, is SubSum's "taxable year" the partial year period or the calendar year period of the consolidated group?

Directive:

SubSum's "taxable year" for Massachusetts filing purposes is the calendar year period of the consolidated group.

Discussion of Law:

Corporations doing business in Massachusetts must file a corporate return "... on or before the fifteenth day of the third month following the close of each taxable year..." M.G.L. c. 62C, § 11. A corporation's taxable year is defined as "... any fiscal or calendar year or period for which the corporation is required to make a return to the federal government." M.G.L. c. 63, § 30 6.

Under the federal consolidated return regulations, the subsidiary member of the group is required to join the consolidated group's return and include its income from the partial year period of operation. Treas. Reg. § 1.1502-76. In a similar case, the Appellate Tax Board has interpreted M.G.L. c. 63, § 30 6. to mean that when a subsidiary corporation merges into its parent corporation, no Massachusetts short taxable year return is required because no federal short taxable year return is required. *Reed Rolled Thread Die Co. v. Department of Revenue*, A.T.B. Docket No. 92786 (January 18, 1982) (subsidiary's partial year period included in the full fiscal year of its parent). Since no Massachusetts short taxable year return was required, the subsidiary's taxable year was the calendar year period of the consolidated return.

One purpose of M.G.L. c. 63, § 30 6. is to coordinate Massachusetts and federal filing requirements and thereby ease the administrative burden on corporations filing excise returns in Massachusetts. Therefore, a subsidiary corporation which is required to include its partial year period in a calendar year consolidated return, has as its "taxable year" the consolidated return calendar year, and need not file a Massachusetts short taxable year return.

Mitchell Adams
Commissioner of Revenue
December 6, 1993

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